

TRANSPORTATION

Overview of the Transportation Budget

The Governor proposes total transportation expenditures of \$16.382 billion (\$1.558 billion General Fund) in 2007-08. These expenditure figures include the following departments (dollars in thousands):

Department	General Fund	Other Funds	Total
CA Transportation Commission (CTC)		\$5,725	\$5,725
State Transit Assistance (STA)		\$784,658	\$784,658
Department of Transportation (Caltrans)	\$1,558,396	\$11,201,402	\$12,759,798
High Speed Rail Authority (HSRA)		\$1,159	\$1,159
Office of Traffic Safety (OTS)		\$96,299	\$96,299
California Highway Patrol (CHP)		\$1,831,399	\$1,831,399
Department of Motor Vehicles (DMV)		\$902,860	\$902,860
TOTAL	\$1,558,396	\$14,823,502	\$16,381,898

Proposed expenditures in 2007-08 are \$1.9 billion more than revised 2006-07 expenditures – primarily due to revenue from the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B). In addition to the figures listed above, Budget Item 9350 apportions monies collected by the State to local governments based on a statutory formula, including \$1.173 billion in transportation revenues from the Highway Users Tax Account and \$600 million in Prop 1B bond funds.

2600 California Transportation Commission

The California Transportation Commission (CTC) is responsible for the programming and allocating of funds for the construction of highway, passenger rail, and transit improvements throughout California. The CTC also advises and assists the Secretary of Business, Transportation and Housing Agency and the Legislature in formulating and evaluating state policies and plans for California's transportation programs.

The Governor proposes total expenditures of \$5.7 million and 17.6 positions for the CTC (no General Fund). The only budget change proposal is an augmentation of \$289,000 and 2 positions to perform workload associated with the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B). The budget also reflects \$3 million in local assistance expenditures related to Proposition 116 (Rail Transportation Bond Act of 1990).

2640 State Transit Assistance

The State Transit Assistance (STA) budget item provides funding to the State Controller for allocation to regional transportation planning agencies for mass transportation programs. Revenue traditionally comes from the sales tax on diesel fuel and a portion of the sales tax on gasoline (including a Proposition 42 component), and is available for either operations or capital investment. With the passage of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B), bond funds are also available for this program. However, bond funds may only be used for capital investment.

The Governor proposes funding of \$784.7 million for State Transit Assistance – an increase of \$160.9 million. This proposal includes \$600 million in Prop 1B bond funds and \$185 million in traditional fuel sales tax funds. While this proposed budget is up overall, the STP would actually receive a \$411 million cut relative to what current statute dictates. This program, under statute, would receive 50 percent of specified fuel sales tax revenue, or \$596 million with the Governor's Budget revenue forecast. The Administration indicates this \$411 million reduction ties to an overpayment of \$102 million in 2006-07 and the STA's share of 2007-08 spillover revenue, which is estimated at \$309 million. The spillover reduction is proposed to be an ongoing budget reduction. This proposal is part of the larger Administration proposal to use \$1.1 billion in Public Transportation Account revenues for General Fund relief. The overall proposal is discussed in the Caltrans section below.

2660 Department of Transportation

The Department of Transportation (Caltrans) constructs, operates and maintains a comprehensive state system of over 15,000 miles of highways and freeways and provides intercity passenger rail services under contract with Amtrak. The department also has responsibilities for airport safety, land use, and noise standards. Caltrans' budget is divided into five primary programs: Aeronautics; Highway Transportation; Mass Transportation; Transportation Planning; and Administration.

The Governor proposes total expenditures of \$12.760 billion (\$1.558 billion General Fund) and 21,758.3 positions, an increase of \$1.541 billion (14 percent) and 68.4 positions. The increase is primarily due to revenue from the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B). Note, the Administration is also requesting a supplemental appropriation for 2006-07 to allocate \$523 million in Prop B bond funds in the current year.

Caltrans Budget Summary

Expenditure by Program (dollars in thousands)	2006-07	2007-08	\$ Change	% Change
Aeronautics	\$8,501	\$8,693	\$192	2.3
Highway Transportation	9,554,208	\$11,336,749	1,782,541	18.7
Mass Transportation	1,113,002	873,938	-239,064	-21.5
Transportation Planning	197,411	179,476	-17,935	-9.1
Administration	345,599	360,942	15,343	4.4
Total	\$11,218,721	\$12,759,798	\$1,541,077	13.7

Expenditure by Category (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
Personal Services	\$1,905,825	\$2,072,361	\$166,536	8.7
Operating Expenses and Equipment	1,582,737	\$1,565,112	-17,625	-1.1
Tort Payments	53,556	53,556	0	0.0
Debt Service (GARVEE bonds)	72,899	72,899	0	0.0
Local Assistance	2,957,970	3,193,413	235,443	8.0
Capital Outlay - Office Buildings	0	62,337	62,337	0.0
Capital Outlay - Specialty Buildings	54,742	119,909	65,167	119.0
Capital Outlay - Transportation Projects	4,545,306	5,589,211	1,043,905	23.0
Unclassified	45,686	31,000	-14,686	-32.1
Total	\$11,218,721	\$12,759,798	\$1,541,077	13.7

Expenditure by Fund Type (dollars in thousands)	2004-05	2005-06	\$ Change	% Change
General Fund	\$2,642,668	\$1,558,396	-\$1,084,272	-41.0
Federal Trust Fund	3,484,477	\$4,054,454	569,977	16.4
Proposition 1B Bond Funds	523,000	\$1,491,750	968,750	185.2
Special Funds	3,470,769	4,457,280	986,511	28.4
Reimbursements	1,097,807	1,197,918	100,111	9.1
Total	\$11,218,721	\$12,759,798	\$1,541,077	13.7

Transportation Finance Issues**Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B)**

Prop 1B provides for a general obligation bond issue not to exceed \$19.925 billion. The budget includes appropriations totaling \$7.685 billion in Prop 1B bond funds, although only \$2.789 billion is expected to be allocated, or committed, in 2007-08. Additionally, the Administration will be requesting a supplementary appropriation of \$523 million to support Prop 1B allocations in 2006-07. Dollars below are in thousands.

Proposition 1B Category	2006-07 Allocations	2007-08 Allocations	2007-08 Appropriations	Total 1B Amount	Budget
Corridor Mobility Improvement Account (CMIA)	\$100,000	\$317,000	\$2,119,000	\$4,500,000	Caltrans
Transit	0	600,000	1,300,000	3,600,000	State Trans Assistance
State Transportation Improvement Program (STIP)	262,000	340,000	1,035,000	2,000,000	Caltrans
Local Streets & Roads	0	600,000	1,050,000	2,000,000	Shared Revenues
Trade Infrastructure	15,000	170,000	680,000	2,000,000	Caltrans
State Highway Operations and Preservation Program (SHOPP)	141,000	403,000	518,000	750,000	Caltrans
State/Local Partnership	0	170,000	502,000	1,000,000	Caltrans
Grade Separations	0	55,000	174,000	250,000	Caltrans
State Route 99 Improvements	0	28,000	171,000	1,000,000	Caltrans
School Bus Retrofit	0	97,000	97,000	200,000	Air Resources Board
Local Bridge Seismic Retrofit	5,000	9,000	39,000	125,000	Caltrans
Intercity Rail*	0	0	0	400,000	na
Transit Security*	0	0	0	1,000,000	na
Trade Infrastructure Air Quality*	0	0	0	1,000,000	na
Port Security*	0	0	0	100,000	na
TOTAL	\$523,000	\$2,789,000	\$7,685,000	\$19,925,000	

* No appropriations are requested in the Governor's Budget for these programs – the Administration indicates it is still considering program implementation approaches. Spring Finance Letters may request funding for these programs.

While many past bond revenues have been continuously appropriated upon bond passage, Prop 1B funds require an appropriation by the Legislature to expend the funds. The Administration is requesting an appropriation level that will cover anticipated expenditures through 2009-10. That means that the Administration would not have to come forward with a Prop 1B appropriation request in either the 2008-09 or 2009-10 budgets. Alternatively, the Legislature could decide to appropriate only the amount necessary for 2007-08 expenditures, or appropriate all \$19.9 billion in Prop 1B bond funds this year. The Administration indicates it will also submit budget trailer bill language for Prop 1B programs.

The Governor's revised Strategic Growth Plan includes a request for \$29.4 billion of new general obligation bonds and \$13.9 billion of additional lease-revenue and self-liquidating revenue bonds for the 2008 and 2001 ballots in the areas of education, public safety, and other infrastructure. No additional transportation-related bonding (beyond that already authorized by Prop 1B) is included in the Governor's Strategic Growth Plan.

Shift Public Transportation Account Revenues to Pay General Fund Obligations

The Governor proposes to shift \$1.1 billion in Public Transportation Account (PTA) funds to pay the following State obligations, which are currently the responsibility of the General Fund:

- \$627 million for Home-to-School Transportation (currently Proposition 98).
- \$340 million for transportation-related general obligation bond debt.
- \$144 million for regional center transportation budgeted in the Department of Developmental Services.

The PTA will receive an estimated \$617 million in “spillover” funds in 2007-08 – up from the revised estimate of \$549 million for 2006-07. The proposed shift would exceed the 2007-08 amount of the volatile spillover revenues, which have materialized in recent years due to high gasoline prices. The Administration indicates this shift will not have a major impact, in the short-term, on transit capital projects because of bond and other funding resources. However, the proposal does represent a reduction in what local transit agencies would otherwise receive for operations in 2007-08, and would, over the long-term, reduce funding available for mass transit capital projects through the State Transportation Improvement Program (STIP). The Administration indicates they intend to permanently redirect spillover funds to pay current General Fund obligations. Based on a similar proposal by the Administration in May 2006, spillover revenue over the next ten years may sum to around \$4 billion.

Public Transportation Account “Spillover” Background

The spillover transfer dates back to legislation enacted in the early 1970’s. Chapter 1400, Statutes of 1971, relinquished 0.25 percentage points of the State’s four percent sales tax to local governments to fund transportation development (primarily mass transit). To hold the General Fund harmless, the tax base was broadened to include gasoline. The legislation further provided a mechanism to assure that the General Fund would not benefit as a result of the broadened tax base – this “spillover” formula transfers any net General Fund revenue gain to the Public Transportation Account (PTA). Half of this PTA transfer is then transferred to local transit agencies through the State Transit Assistance budget. The spillover only occurs in years when gasoline prices are high relative to the prices of other goods.

No spillover occurred during the period of 1994-95 through 2000-01, or in 2002-03; however, a spillover of \$11.3 million occurred in 2001-02. In recent years, spillover revenue has been triggered, but in some cases the revenue has been redirected.

- The 2003 Budget Act projected a spillover of \$87 million and associated trailer-bill legislation retained that amount in the General Fund (with any amount above \$87 million to be transferred to the Public Transportation Account). Actual spillover revenue turned out to be \$88.7 million.
- The 2004 Budget Act projected a spillover of \$140 million and trailer-bill legislation directed that amount to the Traffic Congestion Relief Fund as partial repayment of past loans to the General Fund (any excess spillover was retained by the General Fund). Actual spillover revenue turned out to be \$225.8 million.

- The 2005 Budget Act projected a spillover of \$380 million and trailer-bill legislation retained the full spillover in the General Fund. In part, this General Fund relief allowed for the first full Proposition 42 transfer in 2005-06. The revised estimate for spillover revenue is \$381 million.
- The 2006 Budget Act projected a spillover of \$668 million and trailer-bill legislation (SB 1132) directed the funding as follows:
 - \$200 million to the Transportation Deferred Investment Account as part of Proposition 42 loan repayment.
 - \$125 million to the Bay Area Toll Authority for the Bay Bridge Seismic Retrofit Project.
 - \$33 million for appropriations in the 2006 Budget Act (\$20 million for Agricultural Industries Transportation Services and \$13 million for the High-Speed Rail Authority)
 - 20 percent of the remainder (estimated at \$62 million) to Caltrans for mass transportation.
 - 80 percent of the remainder (estimated at \$248 million) to local transit agencies through the State Transit Assistance budget item.

The Department of Finance indicates the revised estimate for 2006-07 spillover is \$549 million (down \$119 million from the prior \$668 million projection).

Proposition 42

For 2007-08, the Governor proposes full Proposition 42 funding for transportation, which the Department of Finance estimates will be \$1.475 billion. As required by the Constitution, the funding would be allocated as follows:

- \$602 million for the Traffic Congestion Relief Program (TCRP).
- \$698 million for the State Transportation Improvement Program (STIP).
- \$88 million for the Public Transportation Account (PTA).
- \$88 million for State Transit Assistance to local agencies.

The “Proposition 42” transfer dates back to the Traffic Congestion Relief Program (TCRP), which was established with the 2000-01 budget (AB 2928, Torlakson) as a *six-year* funding program. Program funding comes from a portion of the sales tax on gasoline. When budget shortfalls in 2001-02 constrained the General Fund, the second-year funding for the program was delayed until 2003-04 and Proposition 42 was placed before voters to make the program permanent. As part of the 2001-02 budget, cities and counties received their “Prop 42” local streets and roads allocation from the State Highway Account (instead of the General Fund) in 2001-02 and 2002-03 and, in exchange, shifted their 2006-07 and 2007-08 allocations to the State – that is why the STIP receives a large allocation in 2007-08 and no funding is included for cities and counties. The Proposition 42 transfer was partially suspended in 2003-04 and fully suspended in 2004-05 (see the transportation loan section below). Full Proposition 42 transfers were made in 2005-06 and 2006-07.

Repayment of Past Transportation Loans

- Proposition 42 loans.** The 2003 Budget Act partially suspended the 2003-04 Proposition 42 transfer with \$289 million transferred and \$868 million suspended. The 2004 Budget Act fully suspended the 2004-05 Proposition 42 transfer of \$1.258 billion. Budget trailer bill language designated both of these suspensions as loans and required repayment by June 30, 2009. Full Proposition 42 transfers were made in 2005-06 and 2006-07. The 2006 Budget Act included early loan repayments totaling \$1.42 billion for the 2003-04 and 2004-05 Proposition 42 suspensions. Proposition 1A was placed on the November 2006 ballot, which requires, among other provisions, repayment of the outstanding Proposition 42 loans in minimum annual payments of one-tenth the total amount due. The chart below indicates approximately \$711 million remains outstanding, but this figure may be closer to \$750 million when interest is included. Consistent with the Proposition 1A minimum repayment requirements, \$83 million (from the General Fund) is proposed for repayment in 2007-08.
- Traffic Congestion Relief Fund loans / Tribal Gaming Bonds.** The 2001 Budget Act, the 2002 Budget Act, and legislation enacting the 2002-03 mid-year budget revision, loaned a total of \$1.383 billion from the Traffic Congestion Relief Fund to the General Fund. \$334 million of this loan was repaid at the end of 2005-06. The 2006 Budget Act assumed \$827 million in tribal gaming bonds would successfully be sold in 2006-07 to partially repay the outstanding amount. Lawsuits have delayed the issuance of the bonds for more than two years. The Governor's Budget assumes the bonds will *not* be successfully sold in either 2006-07 or 2007-08. Absent a bond sale, the Administration intends to use existing statutory authority to transfer \$100 million in annual tribal gaming revenues to repay a portion of the loan in both the current year and budget year. This would leave about \$850 million outstanding after 2007-08. The repayment of loans to the Traffic Congestion Relief Fund supports secondary loan repayments from that fund to both the State Highway Account and the Public Transportation Account.

Summary of Transportation Loans to the General Fund

Transportation Loans to the General Fund (in thousands) *	Loan Amount	Amount repaid through 2006-07	Repayment in Proposed Budget (2007-08)	Outstanding amount (after 2007-08) *	Proposition 1A Due Date
► Traffic Congestion Relief Fund loans (from 2001-02 & 2002-03)	\$1,383,000	\$434,000	\$100,000	\$849,000	none
► 2003-04 Propositions 42 loan	868,000	495,000	43,500	329,500	June 30, 2016
► 2004-05 Proposition 42 loan	1,258,000	920,000	39,500	298,500	June 30, 2016
Total	\$3,509,000	\$1,849,000	\$183,000	\$1,477,000	

* Interest is required for portions of the loaned amount, but not included in these calculations

- **Secondary Transportation Loans / Transfers.** In 2000-01 through 2002-03, a total of \$563 million was loaned from the State Highway Account (SHA) to the Traffic Congestion Relief Fund (TCRF), and a total of \$275 million was loaned from the Public Transportation Account (PTA) to the TCRF, both for TCRF cash flow purposes. With the proposed repayment for 2007-08, approximately \$102 million would remain outstanding to the SHA and approximately \$265 million would remain outstanding to the PTA. These outstanding amounts will be repaid as tribal gaming revenues provide payment to the Traffic Congestion Relief Fund. After 2006-07 Proposition 42 loan repayments, all outstanding amounts are due to the TCRF (about \$627 million, excluding interest), except for \$1 million still due to the PTA.

Non-Article XIX Funding

The Administration proposes to amend statute to permanently retain approximately \$85 million in annual miscellaneous revenues, which are not subject to the expenditure restrictions in Article XIX of the Constitution, in the State Highway Account (SHA) instead of transferring these revenues to the Public Transportation Account (as specified by Section 183.1 of the Streets and Highways Code). This miscellaneous revenue is primarily derived from the rental and sale of Caltrans property originally purchased for highway purposes. Because the revenue is not restricted by Article XIX, it can be expended for either highway or mass transportation purposes. Prior to 2000-01, and the addition of Section 183.1, the funding was retained in the SHA. Since 2000-01, the funding has been transferred to the PTA, except in 2003-04 and 2004-05 when the funding was retained in the SHA by budget bill language.

Caltrans Budget Proposals

Highway Maintenance Funding. The Administration requests a permanent increase of \$85 million and a one-time increase of \$100 million for highway infrastructure preservation (for a combined total request of \$185 million). The permanent increase of \$85 million would be budgeted in the Maintenance Program, and the one-time increase of \$100 million would be budgeted in the State Highway Operations and Protection Program (SHOPP). In last year's budget request for 2006-07, the Administration requested an ongoing highway preservation increase of \$105 million – the Legislature approved the funding, but shifted the funding from the SHOPP to the Maintenance Program, which is where the funding has historically been budgeted. The Legislature may want to similarly review the nature of the SHOPP projects anticipated for the \$100 million to determine if the Maintenance Program would be a more appropriate home for the funding. Pursuant to Section 164.6 of the Streets and Highways Code, the Department is required to present to the Legislature a five-year maintenance plan no later than January 31, 2007. This report should assist the Legislature in its review of the budget request.

Environmental Mandates. The Administration submitted two budget requests related to environmental mandates.

- Budget Change Proposal #2B requests \$1.4 million (annually for five years) to purchase alternative fuel fleet equipment to comply with ongoing federal, State, and local air quality mandates.

- Budget Change Proposal #8 requests \$11.8 million in 2007-08 to comply with two air quality mandates adopted by the California Air Resources Board (ARB). The cost varies each year, but over five years is estimated at \$27.8 million. Funding would allow for the purchase of exhaust filter traps for heavy-duty trucks and the replacement of portable engines and other equipment.

Public Safety Radio. The Department requests funding of \$7.2 million in 2007-08 and a total of \$19.6 million over five years, to convert the low band radio systems concentrated in the mountainous regions of District 10 (east of Stockton) to a high band system. The Department indicates that most Caltrans Districts (3, 4, 6, 7, 8, 9, 11, and 12) currently operate on high band. The Budget Change Proposal does not address the Administration's plans for other Districts that operate with low band. Last year the Legislature added Section 8592.7 to the Government Code, which requires the following:

- (a) A budget proposal submitted by a state agency for support of a new or modified radio system shall be accompanied by a technical project plan that includes all of the following:*
 - (1) The scope of the project.*
 - (2) Alternatives considered.*
 - (3) Justification for the proposed solution.*
 - (4) A project implementation plan.*
 - (5) A proposed timeline.*
 - (6) Estimated costs by fiscal year.*
- (b) The committee shall review the plans submitted pursuant to subdivision (a) for consistency with the statewide integrated public safety communications strategic plan included in the annual report required pursuant to Section 8892.6.*
- (c) The Telecommunications Division of the Department of General Services shall review the plans submitted pursuant to subdivision (a) for consistency with the technical requirements of the statewide integrated public safety communication strategic plan included in the annual report required pursuant to Section 8592.6.*

The Budget Change Proposal does mention Department of General Services participation in the project, but it is not explicit concerning whether the requirements of subsections (b) and (c) have been met. The submitted document does touch on each of the requirements of subsection (a), but the depth and breadth of the material would not seem to constitute a "technical project plan."

Intelligent Transportation System. The Administration submitted three budget requests related to Intelligent Transportation Systems (ITS). ITS includes loop detectors that monitor freeway speed, changeable message signs, highway advisory radio, metering lights, and freeway cameras. These technologies communicate traffic conditions to drivers and reduce congestion.

- Budget Change Proposal #13 requests \$1.2 million in 2007-08 and \$1.1 million in 2008-09 to fund a two-year pilot project that will determine the effectiveness of purchasing real-time traffic data from private vendors. The private vendors would supply traffic speed information from Automatic Vehicle Location technologies, cellular signals, and/or other technologies. If this technology is viable, it may result in cost saving and traffic-congestion reduction because freeway loop detectors would no longer need to be installed and maintained.

- Budget Change Proposal #14 requests \$9.7 million (ongoing) and 40 positions in the Maintenance Program to increase maintenance and repair of new Intelligent Transportation System (ITS) field elements. The Department indicates that the number of traffic signals and ramp meters has increased by approximately 600 since positions were last increased in 1999, and ITS elements have increased by 2,400 units.
- Budget Change Proposal #15 requests \$1.5 million (ongoing) and 15 positions in the Highway Operations Program to increase operational support of the increasing number of Intelligent Transportation System (ITS) field elements. The Department indicates that the number of field elements has increased by 3,294 (225 percent) since the last staff increase for this purpose in 1997.

Specialty Building Facilities. The Administration requests an appropriation of \$119.9 million in 2007-08 for specialty building facilities such as equipment facilities, maintenance facilities, material labs, and traffic management centers. This is an increase of \$65.2 million, or 120 percent from the amount appropriated in 2006-07.

Oakland District Office Building Seismic Retrofit. Last year the Legislature approved a funding request of \$44.3 million for the construction phase of the seismic retrofit of the District 4 office building in Oakland. Based on bids received, the Administration now indicates the cost of the project has increased by \$18 million – to \$62.3 million. The Department requests a reversion of last year’s funding, and a new appropriation of \$62.3 million for the project.

2665 High-Speed Rail Authority

The California High-Speed Rail Authority (HSRA) was created by Chapter 796, Statutes of 1996, to direct development and implementation of inter-city high-speed rail service that is fully coordinated with other public transportation services. The total cost to build the entire system was most-recently estimated at \$37 billion.

The Governor proposes \$1.2 million and 6.5 positions for the HSRA, a decrease of \$13.2 million and no change in positions. Last year the Legislature augmented the HSRA budget by \$13 million and 3 positions to: (1) complete the draft environmental impact report for the Central Valley to San Francisco Bay Area route; (2) complete a financing plan to be submitted to the Legislature no later than May 1, 2007; and (3) commence site-specific environmental work, right-of-way acquisition, and identification of necessary grade separations to improve and preserve rail corridors. Current law provides for a proposition on the November 2008 ballot to provide \$9.95 billion in general obligation bonds for the high-speed rail and related rail projects; however, the Governor proposes to delay this bond vote indefinitely.

2720 California Highway Patrol

The mission of the California Highway Patrol (CHP) is to ensure the safe and efficient flow of traffic on the state’s highway system. The CHP also has responsibilities relating to vehicle theft

prevention, commercial vehicle inspections, the safe transportation of hazardous materials, and protection and security for State employees and property.

The Governor proposes \$1.831 billion in total expenditures (no General Fund) and 11,012 positions for the CHP, an increase of \$150.1 million (9 percent) and 325.7 positions.

Major Budget Proposals

Enhanced Radio System. The budget includes \$51.4 million for the 2007-08 cost of upgrading the CHP's public safety radio system. Last year the Legislature approved this five-year project that has total costs of \$494 million. The project will enhance radio interoperability with other public safety agencies and provide additional radio channels for tactical and emergency operations. As part of last year's project approval, the Legislature required annual project reporting for the life of the project – the first report is due March 1, 2007.

Officer Staffing Augmentation. The Governor requests \$17.5 million (\$21 million ongoing) to add 50 uniformed positions and 41 support staff. Last year, the Legislature approved a staffing increase of 310 positions (240 Officers and 70 supervisory and non-uniformed support staff) to be phased in over two years (the 2007-08 phase added 75 Officers). The CHP indicates this increase would help address the continual increase in workload associated with population growth throughout the state.

Office of Internal Affairs. The Governor requests \$952,000 in reimbursement authority and 5.0 two-year limited-term positions to respond to the unfunded workload brought about by requests for investigative services from outside agencies. The Department indicates state departments frequently call upon the CHP to conduct independent reviews and investigations. Investigations are normally approved by the Business, Transportation and Housing Agency and the Governor's Office. The external investigations can consume up to 85 percent of the Investigation Unit's resources and in these cases leave minimal resources for internal investigations.

Motor Carrier Safety Program. The Governor requests a permanent increase of \$4.8 million to augment staffing 67.9 positions (60 Motor Carrier Specialists and 11.5 support positions). The Administration indicates this will allow the Department to complete 100 percent of the Biennial Inspection of Terminals (BIT), instead of the current 58 percent inspection rate. Motor Carrier Specialists visit terminals to: (1) inspect maintenance and inspection reports for buses and trucks; (2) inspect a sample of required driver records; and (3) investigate hazardous materials handling practices. The Department indicates that statute requires fees to be set at a level to fund the program; however, currently the Motor Vehicle Account (MVA) funds \$2.1 million of the cost and the requested augmentation would be funded exclusively through the MVA.

Capital Outlay. The Administration requests an augmentation of \$8.1 million for three major capital outlay facilities projects – two projects are in the working-drawings phase (Oceanside Area Office [\$1.1 million] and Oakhurst Area Office [\$636,000]) and would likely come forward with construction funding requests in 2008-09 totaling about \$21 million; a third project is in the construction phase (San Diego Area Office [\$6.2 million]) and involves the renovation of an existing office.

2740 Department of Motor Vehicles

The Department of Motor Vehicles (DMV) regulates the issuance and retention of drivers' licenses and provides various revenue collection services. The DMV also issues licenses and regulates occupations and businesses related to the instruction of drivers, as well as the manufacture, transport, sale, and disposal of vehicles.

The Governor proposes total expenditures of \$902.8 million (no General Fund) and 8,280.1 positions, an increase of \$19.2 million (2 percent) and a decrease of 24.1 positions.

Budget Proposals

Information Technology Modernization Project. The Administration requests 2007-08 funding of \$23.9 million and 25 positions to continue with the Information Technology Modernization Project. Last year, the Legislature approved funding of \$2.1 million and 5 positions for the first year of this seven-year \$242 million project.

Credit Card Processing Fees. The Administration requests an augmentation of \$11.4 million in 2007-08 and \$12.7 million in 2008-09 to continue the payment of credit and debit card processing fees. In 2005-06 the Legislature approved two-year limited-term funding for DMV to pay these processing fees. At times in the past, the DMV has charged customers "convenience fees" to cover the cost of processing fees. Funding was provided in 2005-06 to eliminate these convenience fees to encourage customers to pay with a credit cards and reduce visits to DMV offices.

Facility Support Projects. The Administration requests 2007-08 funding of \$9.6 million (\$4.7 million ongoing) to remove non-public programs out of field offices and into stand-alone leased facilities or consolidated leased facilities. The DMV indicates these changes would reduce overcrowding in field offices, and also be beneficial in addressing a surge in visits that would accompany the implementation of Real ID (see the Real ID discussion below).

Headquarters Seismic Retrofit / Asbestos Abatement Project. The Administration requests \$84.6 million to complete the reconstruction of the Sacramento headquarters building. Last year the Legislature approved \$2.2 million for working drawings and the construction phase of the project was estimated at \$50 million. The construction phase of the project is now estimated at \$82 million.

Major Issue

Federal REAL ID Act. On May 11, 2005, President Bush signed H.R. 1268, which includes the Real ID Act of 2005. Regulations from the federal government on the implementation of this law have been delayed and are now expected in April or even later this year. Last year, the DMV estimated implementation of Real ID may cost the State \$500 million to \$750 million. It will also cause inconvenience for California driver's license holders, because most people will have to go to a DMV location to re-verify their identity. Real ID requires people without a passport to have a compliant driver's license or identification card by May of 2008 in order to enter a federal building or cross an airport checkpoint. No federal funds have been provided to California for Real ID. The Administration did not submit any 2007-08 budget requests related to Real ID, although spring Finance Letters may request budget changes.